

(AGENCY LETTERHEAD)

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

**MARGIN-OVER-RACK MEMO FOR OIL VENDORS**

TO: Fuel Assistance Oil Vendors

FROM: (Agency)

DATE:

RE: "Margin-Over-Rack" Program Implementation

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The last few years, the Fuel Assistance Program has been adjusted administratively and programmatically to cope with changes in federal and state funds. In an effort to maximize client benefit dollars, a pilot oil payment program was operated in six (6) areas of the state in fiscal year 1990. This initiative, known as "Margin-Over-Rack" or MOR, was an alternative to the bid project, which had run successfully in the Haverhill area. Because of the success of the MOR program the Massachusetts Department of Housing and Community Development expanded the MOR program statewide, with the exception of the Haverhill area, which will continue with the bid program. Listed below are answers to some of the questions you may have about the Margin-Over-Rack purchasing method.

If you have additional questions about this purchasing method, please join us at a vendor meeting on:

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*(Insert date, time, and location of meeting.)*

1. **WHAT IS THE "MARGIN-OVER-RACK" (MOR) PRICING METHOD AND HOW DOES IT WORK?**

The "Margin-Over-Rack" (MOR) pricing method will be used by local Fuel Assistance Agencies to purchase #2 fuel oil from local dealers on behalf of their clients. Participating dealers will be paid for deliveries based on a margin of forty (40) cents per gallon over a daily or weekly average rack price, based on the Oil Price Information Service (OPIS). Dealers will receive either the MOR price or their current retail price for the delivery date, whichever is less.

2. **WHY WAS THE MARGIN-OVER-RACK PRICING METHOD IMPLEMENTED?**

The MOR pricing method offers savings to fuel assistance clients that heat with oil.

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3. **How is the MOR Price Determined?**

A weekly average price is calculated from the daily average price as reported by the Oil Price Information Service (OPIS) for the cities of Albany, Boston, Providence, and Springfield. A margin that was pre-set for the LIHEAP program by the Department of Housing and Community Development is added to these figures to determine the price per gallon to be paid for deliveries made by oil dealers for the following week. A daily average price is calculated from the daily price reported by the Oil Price Information Service (OPIS) by adding the margin to daily rack prices for deliveries made for the following day. A five cents fluctuation in Rack prices triggers new MOR pricing. Local MOR agencies will have this price available for dealers on Monday morning. Dealers will be paid the **lesser** of the MOR or the retail price on the date of delivery.

4. **What If I Don't Want To Participate In The MOR Program?**

Dealers are not required to participate. However, local Fuel Assistance Agencies can only make payments to dealers who have agreed to participate and accept the MOR pricing method by signing a Vendor Agreement. Fuel Assistance clients are required to select a participating dealer in order to receive fuel assistance.

5. **Will I Be Required To Do More Paperwork Than Last Year In Order To Receive Payment From My Local Agency?**

No. You must still sign a Vendor Agreement in order to receive reimbursement. Delivery tickets that are submitted for payment must show **only** your current daily retail price. You will continue to receive payment in a timely manner for deliveries to your Fuel Assistance Customers.

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LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

**MARGIN-OVER-RACK PARTICIPATION LETTER FOR CLIENTS**

Dear Fuel Assistance Client:

In order to maximize dollars and your Fuel Assistance benefits,

\_\_\_\_\_ (**Agency**) is participating in the Margin-Over-Rack (MOR) Program, which enable us to purchase oil for you at a discounted price while you are a Fuel Assistance client.

Unfortunately, your oil dealer \_\_\_\_\_ (**Dealer name**), has chosen **not** to participate in this Fuel Assistance discount oil program. By Fuel Assistance program rules, \_\_\_\_\_ (**Agency**) can **ONLY** purchase oil from participating dealers unless you agree to pay for the cost difference between what the Fuel Assistance discount will pay per gallon of oil and what the oil company will charge.

Therefore, to receive the maximum amount of heating oil from your fuel assistance benefit and not pay additional costs, you must choose an oil dealer that participates in the discount oil program from the enclosed list.

You must call \_\_\_\_\_ (**Agency**) at \_\_\_\_\_ (**Telephone Number**) as soon as possible to tell us which participating oil dealer you have selected to deliver your oil while you are receiving Fuel Assistance benefits.

If you have any questions, please feel free to call us.

Sincerely,

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Agency: \_\_\_\_\_

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LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

**OIL VENDOR PARTICIPATION LETTER**

Dear **(Vendor)**:

We hope that you are planning to participate in this year's Fuel Assistance Program, which begins on November 1<sup>st</sup>. In order to inform our clients about their vendor's participation, we need to know if you will participate in the Margin-Over-Rack Program with: \_\_\_\_\_ **(Agency)**.

If you plan to participate, please sign and return the enclosed Margin-Over-Rack Vendor Agreement and Information Sheet.

If you do not intend to participate in the LIHEAP Margin-Over-Rack Program, please contact us by letter, or call the Sub-grantee Fuel Assistance Director at \_\_\_\_\_ **(Agency)** at: \_\_\_\_\_ **(Phone Number)**.

In order to ensure prompt service to all of our fuel assistance clients, we need to know of your intentions as soon as possible. If we do not hear from you before \_\_\_\_\_, 20\_\_, we must, at that time, assume that you will not be participating in this year's Fuel Assistance Program. This means that in order for your fuel assistance customers to receive benefits this year, they must select a participating vendor.

Please call \_\_\_\_\_ **(Fuel Assistance Director)** or me if you have any questions or want to discuss the program further.

Sincerely,

Name: \_\_\_\_\_

Title: \_\_\_\_\_